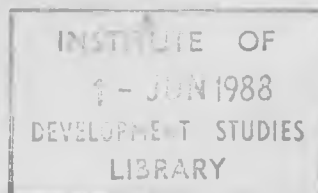


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GRAMEEN BANK EVALUATION PROJECT

(Working Paper No. 6

FACTORS CONTRIBUTING TO THE EXCELLENT REPAYMENT
PERFORMANCE OF GRAMEEN BANK

Atiur Rahman



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(b)
(a) Agriculture and Rural Development Division
Bangladesh Institute of Development Studies
GPO Box Number 3854
Dhaka Bangladesh

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IDS Information Resource Unit
University of Sussex
Falmer, Brighton BN1 9RE, UK

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Preface

While most financial institutions in Bangladesh are under tremendous pressure with regards to dismal recovery performance of rural credit, Grameen Bank stands out as a unique case of maintaining near cent per cent recovery rate. Development Bankers are indeed puzzled at these contradictory performances of rural credit agencies. This paper makes an attempt to identify those factors which contribute to such a high rate of recovery in GB. It is noted that GB programme is well designed, it has an appropriate institutional arrangement, it is close to the clients, it is able to make use of peer pressure and the process of group formation, it is slow and steady, it ensures loan utilization in the right activities, its loan recovery takes place in small instalments, it has cushion against unforeseen expenditure of the loanees, it gives repeat loan, it raises the consciousness of the loanees, its supervision is very strict and finally it follows a participative management style.

The author is particularly indebted to Dr M Yunus for his cooperation in giving 'inhouse' information to him. The author has extensively used his latest paper, 'Grameen Bank: As I see it', ILO, November, 1985 in preparing this report.

Besides quoting at length, the author has used many of his arguments as well. The author has also been benefited from the discussion with Mr Deepal Chandra Barua of Grameen Bank. Abdus Salam, Mizanur Rahman and Subodh Chandra Sarker, Research Officers, BIDS deserve special mentioning for their hard work. The author is also grateful to participants of the seminar on issues in rural loan recovery in Bangladesh jointly organized by Ohio State University, USA and Bangladesh Bank for their comments.

20 January 1987

Dr. Atiur Rahman
Project Coordinator
Grameen Bank Evaluation Project
BIDS

Factors Contributing to the Excellent Repayment Performance of Grameen Bank

I. Introduction

Dr. Yunus heads a bank which has one of the best repayment records in the world. Over 96 per cent of its loans are repaid on time.

Perhaps more remarkable are the borrowers. All 200,000 of them are among the poorest people in Bangladesh. Indeed, the bank only lends money to those who could not borrow from normal banks because they have no collateral.^{/1}

Traditional banking system normally excludes the poor from its credit network not only for their lack of 'collateral security' but also it is worried about their capacity of repayment. Traditional bankers think that since the rural poor operate at the subsistence level, they cannot hold the incremental income, if there be any. They will just consume. Grameen Bank has, however, proven these apprehensions irrelevant by maintaining near cent per cent record of repayment. To many, this is simply puzzling. The burden of this paper is to unfold some of the factors which contribute to such an excellent record of repayment of the rural poor traditionally considered non-bankable.

2. Estimates of GB's Repayment Rates

Besides Grameen Bank's own estimates of repayment performance, a number of independent indepth studies have confirmed the excellent repayment record of GB.^{2/} The recovery performance of GB looks 'excellent' when compared to the performance of other credit programmes in Bangladesh. According to the agricultural credit review of 1983,

conducted jointly by the Government of Bangladesh and the World Bank, the Nationalized Commercial Banks had 52 per cent of the outstanding agricultural loans as overdue by June 1980 and 61 per cent by June 1981.^{3/} Nearly half of the amount was overdue for more than two years. It has become even worse the recent years as more loans have accumulated. Bangladesh Krishi Bank's repayment rate is said to be around 33.1 per cent.^{4/} Bangladesh Rural Development Board runs some credit programme exclusively for the rural poor. It is known as Rural Poor Programme. A recent Mid-term Review^{5/} of the programme finds the recovery rate in one district (Mymensingh) as 63% ranging between 4.75% to 90% in some upazilas. The overall recovery rate for the whole programme is roughly around 46%. Against these dismal records, GB maintains an exceptionally high record. Table 2.1 gives the official estimate of repayment records of GB (as of 31 October, 1986). About 97.2 per cent of the loans were repaid within a period of one year after the date of issue and 98.74 per cent within a period of two years.

It may be mentioned that GB treats that amount as overdue which is not repaid within two years of loan disbursement, since the loanable fund is borrowed on that term. Thus, according to GB's calculation only about 1 per cent of the loans as overdue. In actual practice, however, the loanees are expected to fully repay the loan within one year in 50 weekly instalments of two per cent of the loan. In that sense, the extent of overdue loans amounts to only 2.80 per cent. There are, however, variations in the extent of overdue in different

Table 2.1
Rate of Recovery of GB Loans: 1983-1986

Area of Operation	Per cent of loans recovered within one year of disbursement				Per cent of loans recovered within two years of disbursement			
	1983	1984	1985	1986*	1983	1984	1985	1986*
Chittagong	99.20	99.63	98.17	97.98	99.88	99.96	99.84	99.61
Tangail	98.50	98.60	90.93	95.02	99.80	99.01	95.97	94.60
Rangpur	100.00	100.00	99.95	97.94	100.00	100.00	100.00	99.95
Lhaka	99.60	100.00	98.15	95.51	100.00	100.00	100.00	99.52
Fatuakhali	100.00	100.00	100.00	99.74	100.00	100.00	100.00	100.00
Total	98.79	98.92	97.22	98.74	99.87	99.92	99.30	97.20

Source: Grameen Bank, Monthly statistics for October 1986 and December, 1983, 1984 and 1985,

*Figures for 1986 are as of 31 October. All others are as of 31 December.

regions and branches within a region. The intertemporal variations in the repayment performance are not significant.

BIDS evaluators of GE (including the author) too made an independent estimate of the loan repayment.^{6/} BIDS interviewers asked [(975 respondents (441 male + 534 female)] about the number of weekly instalments paid at the time of the interview (July and August 1985). We then estimated the number of instalments due to be paid around that time from the data of the issue of loans. Each GB loanee has

a pass book in which this information is recorded. The interviewer in fact varified the response of the loanee by actually looking into his/her pass book. The amount overdue was estimated by multiplying the number of overdue instalments (instalments due to be paid -- the instalments actually paid at the time of the interview) with the amount to be paid per week. Thus we have treated a loan overdue even before the maturity period of one year if the loan had overdue instalments i.e. if the loanee has not been regular in paying weekly instalments (see Table 2.2).

Table 2.2

Extent of Overdue Instalments

Type of loanees by	Total amount of loan taken by the group (000 Tk)	The amount of overdue instalments		The amount overdue beyond 52 weeks	
		Amount (000 Tk)	As a per cent of loan taken	Amount (000 Tk)	As a per cent of loan taken
Male (N=441)	1,441.5	49.7	3.4	4.8	0.3
Female (N=534)	1,512.5	49.1	3.2	9.3	0.6
Total	2,954.0	98.8	3.3	14.1	0.5

Source: GB Loanee Survey, 1986, BIDS.

See also M. Hossain, op. cit., 1986, Table 27.

It is found that only half a per cent of the loan was overdue with the sample loanees beyond one year after the issue of the loan. Also the extent of loan unpaid in overdue weekly instalments (before the end of the year) was only 3.3 per cent of the amount taken. Thus BIDS survey also confirms the excellent recovery performance of GB. The table also points out that the repayment performance is almost the same for both male and female loanees.

Table 2.3 gives another dimension of the recovery behaviour of GB loanees. It is found that 78 per cent of the loanees has no overdue instalments at the time of the survey. A similar figure was also noted by Hossain back in 1982.^{7/} This only shows the stability of the recovery rate estimate.

Nearly a half of the overdue cases had no or two overdue instalments. Only 5 per cent of the cases had 10 overdue instalments. This seems to be an improvement over the situation of 1982 (as noted by Hossain), when the figure was found to be 9.3. Female loanees were found to be better performer. Rightly one per cent of them had no overdue loans compared to 74 per cent for male members.

Hence, our field investigation only confirms the excellent repayment record claimed by GB. Such a high record of recovery rate does not only explain the financial discipline which GB tries to ensure, it is also the cornerstone of its success.

"All the strength of GB comes from its recovery performance. It is not merely the money which is reflected through the recovery rate, it is the discipline which speaks loud and clear through the rate."^{8/}

Table 2.3

Distribution of GB Loanees by the Number of Overdue Instalments at the Time of Survey (1985)

(Figures in per cent of loanees in the group)

Number of instalments	Sex distribution of loanees		
	Male	Female	All
With overdue instalments:	25.6	18.7	21.8
1 - 2	11.6	5.7	8.3
3 - 4	5.4	5.2	5.3
5 - 9	4.1	2.2	3.1
10 & above	4.5	5.6	5.1
No overdue instalments:	74.4	81.3	78.2
Exact number of instalments paid	63.0	67.8	65.5
Advance instalments paid*	11.4	13.5	12.6
Total	100.0	100.0	100.0

Note: A significant proportion of the new loanees pay instalments in advance, presumably to get a repeat loan of larger amount as early as possible.

3. Factors Contributing to High Recovery Records of GB

A number of factors have contributed to the excellent recovery of GB loans. We will try to point out here only the important ones:

3.1 The programme is well designed

Most poverty focussed programmes (PFP) tried in the poor countries are not properly designed. As such the target population is either missed or the non-poor infiltrate into these programmes and reap the benefits by virtue of their enhanced socio-political power. Yunus, elsewhere, identified the following reasons which stand on the way of reaching the poor:^{9/}

- i) The PFP concerned is wrongly addressed, or not adequately addressed;
- ii) Delivery system stipulated in the PFP is not appropriate for the task, or it simply is not workable;
- iii) It is intercepted along the delivery line before it reaches a destination;
- iv) Address is right package is right, but wrong route has been dictated on the address;
- v) Nobody is really concerned whether it reaches the addressee or not;
- vi) It is of such minor importance in the 'development rush' that it always gets lost in the heavy traffic;
- J vii) PFP package reaches the destination, but despite colourful warp-arounds, it turns out to be an empty box;
by
- viii) Because of mishandling / the couriers along they may the content never reaches the addressee in any useful form;
- ix) Addressee is totally apathetic to the PFP which has been delivered to his door-step. He never cares to try it. If he had tried, he would have liked it, but nobody took time to bring him out of his shell and arouse his interest in something new.

Grameen Bank seems to have taken care of some of these weaknesses and as such is emerging as a successful PFP programme with credit as its core component. It is based on a very simple economic rationale -- if financial resources are made available to the poor at reasonable terms and conditions they can generate productive self-employment without external assistance. Grameen Bank has been applying this simple model in about ten thousand villages through an institutional arrangement which looks innovative and participative. We will discuss below one by one various elements of this institutional arrangement.

3.2 Appropriate institutional arrangements

3.2.1 Closeness to the borrowers

While identifying criteria for success of those companies which can be branded as 'excellent' in the context of American business world, Thomas J Peters and Rovert H. Waterman came very strongly in favour of the element 'close to the customer'.^{10/} According to them:

The companies learn from the people they serve. They provide unparalleled quality, service, and reliability Everyone gets into the act. Many of the innovative companies got their best product ideas from customers. That comes from listening, intently and regularly.

Grameen Bank is very serious on this aspect. It has by now developed a very close relationship with the borrowers. And as has been *assertion only!!* emphasized the poorest stratum of the rural society are its borrowers.

GB puts hard barricades in front of the non-poor so that they cannot

get any entry into its credit programme. One strategy of achieving this objective is that GB always starts its operation with the women.

In a Muslim society like Bangladesh it is almost an impossible situation to attract women's group. With opposition from the religious leaders, and frightening rumours floating around the village regarding what will happen to a woman if she takes a loan from GB, it is only the desperate women who finally push their way to form the first group. These groups gradually set the level of economic conditions of the future members. Better off people are kept away because they do not enjoy being classed with these ~~destitute~~ ~~destitute~~.

3.2.2 Peer pressure and the process of group formation

To get GB loans, the prospective borrowers must form a group of five like minded persons with similar economic and social status. Each group elects its own chairman and secretary and must hold weekly meetings. A number of groups are federated into a centre and the centre chief conducts weekly meetings of the groups. This group formation is the insurance against any pitfalls of GB loans recovery. It helps create the right kind of peer pressure at times when a member tries to violate GB rules and again peer support at times difficulty of any member helps a loanee overcome such difficulties.

Again, the process of group formation itself contributes to the strength of Grameen Bank. GB allows the prospective clients to judge it even before joining it. They screen each other *how? priority implication?* before they make an announcement that they wish to form a group. Before even negotiation with the bank begins the members already have gone through a process of 'understanding and confidence-building'. After a long

period of suspense and learning members of a group get 'recognition'. It itself is a thrilling experience and the member feels he/she has earned it. He/she wants to preserve it.

3.2.3 Slow and steady approach of GB

GB allows the process of understanding it by the clients to take its time. It does not rush. GB offers the following explanation:
"Shy hurry? If poor people have survived without GB for all these years now, they will survive without GB for many more years to come". 12/

*Substitute,
don't
use it*

A GB branch gets into operation in a slow and easy manner. While opening a new branch, Manager and his 'associate' will arrive in a village where GB wants to set up a branch. They will have no office, no place to stay, no one to get in touch with. Their first assignment is to understand and document everything about the area which may come under the coverage of the proposed branch. He and his associate walks miles after miles everyday to talk to people, answer questions. When he starts talking to the women, people get tensed. Threat counter threat follow. But desperate rural poor women stand together and voice that they have nothing to loose. If manager is rebuked by the rural powerfuls and religious leaders, he abandons the village. Rural women then pressurize those people to go to the manager and invite him to the village. They are now more determined to form group. When the women ultimately receive a loan, other women want to join GB. And the process gets accelerated in no time.

What is to be noted, by going slow the manager and his associate create a environment of respect towards GB.

Only two persons, with modest belongings, arrive in a village to set up a GB branch. Everybody looks at them with disbelief. They look like two helpless persons. They don't know where they can spend night, where they are going to sat. This very much unlike Government officials who arrive in a village creating an area of tremendous importance around them. They take it for granted that the village leaders will make all arrangements for them. They will find delicious meals and snacks waiting for them at the rich person's home. 13

People get puzzled at first at the modest approach of these GB persons. As the days pass, they begin to see them more respectfully. Normally rural boys with higher degrees run away from the rural areas. But here they see the process reversed. They are genuinely trying to reach the rural poor. This helps GB to form its strong base amongst the people. Even the rural power structure at times gets neutralized at the humble approach of GB way of organizing the rural poor. 14/

It is not the words, but his (GB Manager) hard work which soften the attitude of the rural people. Even if you do not like his ideas, you get convinced that he is trying hard to reach the poor, he is not doing something for his personal gain. All these work in favour of better response from the people, especially the rural poor who have decided to join GB.

3.2.4 Ensuring loan utilization

Once a member or other members of a group have decided to take loan it is strictly monitored, especially with regards to utiliza-

how do you
manage this work
Gibson's work!

tion. If one member has taken a loan, other members of the group watch him/her utilize it for the purpose it has stated in the loan application form. Moreover, Bank worker gives a form called Loan Utilization Form along with the loan. The loanee has to return this form duly signed by the loanee, the Group Chairman, the Centre Chief and of course, the Bank Worker. At each stage, the person signing this form is supposed to check whether the loan has been put to use for which he/she promised in the loan application. The Manager normally checks these application and may decide to see physically if not 100 per cent, at least 25% of the loanees to find out whether they have utilized the loans properly or not.

3.2.5 Loans to appropriate activities:

Loans are provided to activities which generate regular incomes. This is needed to pay weekly instalments. If the gestation period of any activity is long, say for example, for buying milch cow, the loanee may put some money in some other 'baskets' in order to make it easier for himself/herself to pay weekly instalment out of those extra income. This helps maintain better repayment record of the loanees. Also the loanee may have other sources of income to support weekly repayment.

3.2.6 Some instalments:

The procedure of collecting repayments in small amounts through weekly instalments helps GB loanees to keep their repayment record

straight. It so happens that since they repay small instalments out of their incremental incomes, at the end of the entire loan repayment cycle, they are normally seen to retain at least the initial loan amount even after repayment. They may hold the amount either in cash or in kind. This helps the loanees in expanding the resource base in the future cycles of loan utilization.

3.2.7 Group fund -- a cushion against unforeseen expenditure:

GB members are to save one taka every week plus five per cent of the loan amount, which is kept aside at the time of loan disbursement. The savings from the Group Fund (GF) from which the members could borrow at times of need, at terms fixed by the group work as cushion against diverting loan money for other than specified activities. The GF loan can be used for consumption at times of sickness or social ceremony so that the loanee does not have to make these expenses out of his/her capital. Group members, however, do not have individual claim on the group fund.

Another fund called Emergency Fund is created with additional payments of 25 per cent of the interest due on the loan after the loan is fully repaid. This fund is used as insurance against default. Proceeds of this fund may be used to repay the loan of a member.

3.2.8 Incentives of repeat loan:

Of late, it is being increasingly emphasized that if the loanees are sure that they would get new loans once they have repaid, they would like to repay their past loans. In the words of Adams and Vogel:

*the moneylender's
income more
initial sound
from profits
valuable info.
as to creditworthiness!*

The main advantage to the borrower of playing the repayment lottery is the probability of receiving a larger loan in the future on which a positive rate of return can be expected. ... The most important factors in determining whether a loan was likely to be delinquent were those related to the borrower's assessment of the probability of obtaining a new larger loan in future on a timely basis.¹⁵

*Is this necessary or
the thing?*

Grameen Bank is trying to follow this principle. In fact if the past record of repayment is satisfactory, the loanee get next loan within just a week of the payment of the last instalment. GB members by and large believe that they will get repeat loans if they continue to repay loan without default. It has also been seen from BIDS Loanee Survey that 12% of the loanees, infact, paid advance instalments in order to get the next loan. Second and subsequent loan have been seen to be higher, yielding higher level of income. Of course, only upto a level.^{16/}

3.2.9 Consciousness-raising efforts of GB:

Although GB always defends itself to be a bank per excellence it indulges in a number of consciousness-raising efforts.^{17/} All these make GB loanees much more conscious clients in terms of social philosophy and the realities around. These work as cementing force

and hence their commitment to GB improves gradually. '16 Decisions' embracing all aspects of rural life in terms of better living and personality development go a long way in raising consciousness of the loanee. And a conscious group is bound to show better repayment performance.

3.2.10 Strict supervision:

more on this!

Supervision is the keyword in GB operations. Bank workers are the frontline soldiers of GB. Each Bank Worker has to look into the GB activities amongst upto sixty groups at the maximum. They keep an eye on them every time they visit the villages. Managers, Area Managers, Zonal Managers again keep their supervision tight on the layer immediately below them. Supervision is again matched by participative decision making -- an ingredient of GB way of management.

3.2.11 Participative management style of GB:

GB is a highly decentralized organization. It is organized on the principle of having circles within circle. The biggest circle is the head office, the smallest being the group. Each bigger circle passes on the responsibilities to the immediately next smaller circles within itself, while keeping close watch on what goes in each constituent smaller circle. In case of emergency high circle takes up the responsibility more directly to bail out the lower circle.

GB is multi-layered federations of constituent units. Each bigger circle is a federation of immediately smaller circles. In management decision the spirit of federalism is widely visible. Each federating unit is trying to protect its own autonomy by doing things right without being told what to do. Branches try to do their thing without any intervention from area. Area tries to do their thing without being pushed by the zone. Zone enjoys its own autonomy. It won't be happy if Head Office steps into direct it in its routine work.

In order to retain autonomy each unit has to work hard. Any lapses or shortcomings will invite intervention from the higher authority. The federal body tends to take up the role of a control tower in relation to the air planes flying in the sky under its guidance. Federating units may be viewed as the flying air-planes. The control tower supplies all the necessary intelligence to the pilot to fly the plane safely, but it does not attempt to assume the role of the pilot itself. But in an exceptional situation when the pilot fails to fly the plane properly, the control tower takes over a very active role in flying the plane to safety.

In GB we try to make it very clear to our "pilots" what their responsibilities are. One of our "pilots" can grumble about his co-pilot, his navigator, his flight engineer, even his whole crew, but he knows that the total responsibility remains squarely with him alone./18

In that sense, GB operates on the principle of shared authority, which holds that:

... Managers share their managerial authority with their subordinates. Finally it attempts to actually involve subordinates in the important decision-making process of the organization, not just in tangential problems or concerns./19

GB Head Office always try to avoid taking unilateral decisions. If it has to frame new policies, rules or regulations within the competence of the management it will make draft and circulate the draft among Departmental Heads and Zonal Managers for comments and modifications. If the subject is of greater importance, the copies of the draft will go to the Area Managers. Different strata may hold internal meetings to come to consensus on each of these issues put in the draft. All opinions are then sent to a Drafting Committee to make a second draft taking all pros and cons. Same process may follow if no clear

decision can be taken on first round of circulation. If the second draft does have room for controversy, the matter is put to the Zonal Managers conference to thrash out the matter. ZMs conference is a two or three day intensive affair. Every three months or so, ZMs sit down with the Head Office personnel to thrash out past hitches and future plans. Head Office can only defend itself and cannot accuse the ZMs in this conference. ZMs also pass opinion on other zone's performance.

Zones hold similar conferences at the zone level. Area Managers are not sitting idle either. They too hold such meetings with Managers. Thus the open-door policy of GB has allowed everybody to participate in the decision-making process and hence remove much of the misunderstanding and tension in the organization.

GB has over the years developed an army of dedicated bank staff who spend most of their time in the field. The Head office staff strength is very lean, only about one tenth of the total. The employees work dawn to dusk, at times even burn midnight candle to keep the paper works straight. Why they work so hard? The answer is: they are trained and socially oriented to serve the poor. GB training is mostly self-teaching. There are no books to read. 'Villages of Bangladesh teach young people more things about life than the pages of books'. In the head office training institute they are informed about their duties and the rules and procedure followed by GB in addition to the knowledge of the socio-economic conditions of the country-side and, of course, the need for serving the poor. They are then sent to

the existing branches to work as trainees. They thus learn from every day operation of the bank. They are to 'criticise, modify or improve GB work procedures and bring them to other colleagues to convince them that if the proposals are accepted and introduced, GB would function better'.^{20/} During this six months' training the trainees come back to the Training Institute three times for about a week only to exchange their findings about GB operation at the village level with others. During this training period the trainees, just out from the University, face the crude reality, the ugly faces of poverty and exploitation for the first time so intensively. Some of them cannot bear the intensity. They leave. Others continue to see. Those who stay back give a serious look around them. They see the hard work of their predecessors. They also can feel that his hard work yields results. They can see the changes they can 'feel them, touch them'. This unfolding of the rural poor, this immediate change attracts them. They can know for themselves how self-respect generate in them for working with the poor. Thus they become part of GB, part of the rural poor.

Also GB gives these young people a chance to satiate their desire of fulfilling certain social responsibility. Whatever bad names are bestowed upon them, young men and women of Bangladesh fought and brought Bangladesh. They are still in the frontline in struggle for social change. The practical life after the education does not give them a chance to fulfill that inner desire. They see every thing contrary to their dreams. So they give in. Desire for personal gain replaces

personal sacrifices. It is not their fault. Society at large has failed to give them the opportunity to 'change the World'. GB in its modest way offers these young people a job which is almost in tune with their interest inherent sense of social responsibility. They get a chance to go near to the poor. They take the role of a teacher -- a cherished goal. Not overburdened with bureaucratic hurdles, they go to the poor in their own way. Women take an extra pride in serving GB. Once they join GB, they suddenly change their status as 'liability' to 'asset' in their family and society at large. This helps them work even harder. In other words, GB uses the knowledge, experience, imagination and excitement of the young people to serve the rural poor.

GB always encourages innovation. Innovative youngmen thus find extra pleasure in not only creating new ideas, they get a chance to implement them. Many new things have been introduced out of these innovative ideas. The innovative bank worker in the field can directly communicate to the Chief Executive if he has something new in his mind.

The Managing Director, still maintains his personal contacts with the bank branches through frequent field visits and attending workshop. Also the Monthly Report from each branch goes to him regularly, maintaining a direct channel of communication. He is being assisted in this effort by a dedicated cadre of mid-level officers, many of whom are his students and whom he developed during the pilot project near his University campus. With the increase in bank branches they

work as his contact persons and keep him informed about day to day problems and success. A truly decentralized administrative mechanism has been developed which takes care of most of the problems.

He is aided by a very strong Monitoring and Evaluate on Unit. The Head office Monitoring Unit regularly presents him with bundles of comparative picture to bring out the weak points in each zone. Fully computerized, this unit is in fact, the eye of the Managing Director. Similarly each Zonal Manager is aided by a Zonal Monitoring Unit, also computerized.

One may cite many other factors which in a way or other contribute to the success of GB in ensuring such a high level of recovery. However, one should not be overwhelmed with the success of GE. There are many sour areas as well. We may point out only a few:

4. Factors Which May Retard the Success of GB:

4.1 As is seen from table 2.1, as the "GE matures, problems begin to merged. It is seen that in some zones, e.g. Tangail, the recovery rate has slided down a bit. Even though the rates are very high compared to other banks, GB authority has to take note of this. If allowed to slide down, there may not be end to it. However, GB authority is well aware of this problem. They think some of the old loanees why? in old branches are creating problem. It has been observed by Hossain^{21/} that the first time loanee's record of repayment is much better than the subsequent times loanees. The fourth time loanees had about 10 per cent of the loans in overdue instalments compared

to 0.4 per cent for the first time loanees and 1.2 per cent for the second time ones. Thus, the old members appear to be less serious in maintaining regularity in repayment. Again, even amongst the old members, the repayment behaviour of female loanees is much better than the male ones.

In order to keep the records clean, GB has to be cautious about the old members. They have to decide whether to continue with these 'graduated (from being poor)' members with poorer repayment record or expand horizontally with newer members. They may have to go into newer areas of activities with new set of rules for their graduated members.

4.2 The repayment record of the 'collective loans' is not particularly good. The members with excellent individual record of repayment are not doing so well when they go for 'collective enterprises'. In most cases, it is the lack of management skill and the initial wrong investment decision which work against the success of collective enterprises. Also the weekly instalment system which works perfectly in case of individual non-farm activity does not work so well in cases of collective enterprises (which at present concentrate more on agricultural activities -- land lease, Deep Tubewell, Shallow Tube Well, Pisciculture etc.)., GB management is well aware of these shortcomings and they are moving fast to change rules and improve management strength of the groups involved. In many cases, bank has taken over collective enterprises which run at a loss and is teaching the loanees involved how to run them efficiently.

4.3 Many people are worried about too much dependence placed on the honesty and dedication of the bank workers. Also GB puts too much workload on the bank workers. They have lot of resentments. When every government employee around him/her sits comfortably in the chair and does virtually nothing, why GB workers will continue to work so hard with the same pay structure? GB authority has to device a better incentive structure for their frontline people.

4.4 Concomitantly the question arises: will the government allow GB to have independent incentive structure? In fact, Government may appear to be the biggest stumbling block for the forward march of GB. So far, they have not interfered much. On the contrary they can take credit for its success. But if the pressure from the rural power elites, inefficient employees of other organizations instead of being inspired by GB's spectacular work style, begin to influence the higher authority for creating problems for GB, things may look difficult.

4.5 It is also argued that GB should not expand too fast because of the pressure of the donor agencies or the government or rural elites. They should go in their own speed.

4.6 Dependence on foreign fund should be minimized. They should try to do as 'self-sufficiently' in terms of fund management as possible. GB has already taken steps towards that. They are not only mobilizing savings from their members, but also opening the section of 'deposit banking' to mobilize rural resources. Also the special projects e.g. Joyshagar Fish Farm and Chokoria Shrimp Farm have been taken up by GB with a long term view of earning huge project which may be

utilized for running other GE activities. Also their drive to run GB operations if not at profit, at least at break even is well recognized.

4.7 Many would also argue that Managing Director has trusted his colleagues too much. He was reluctant to impose his views on his colleagues. As a result, chaotic conditions may prevail in the organization. My own hunch is that the policy of decentralization is working alright and the moment GB will abandon this path, the problems may crop up.

4.8 Group members have some resentment against the imposition of physical exercise and slogans. GB although needs to constantly monitor the impact of GB from qualitative perspective as well. At the moment they concentrate too much on figures, which is good. But it is better to remember that GB is trading with human capital.

This is not the place to list other factors which may remotely stand on the way of GB's achievement. But this is certainly an occasion to draw relevant lessons for other organizations, specially rural credit giving agencies:

5. Lessons Learned

Those who want to replicate GB techniques of alleviating poverty through credit operations should keep some of the following points in mind:

5.1 If GB to be replicated, the replication efforts should be in more than one place. Variety of problems and solutions need to be looked at before going to GB programmes.

5.2 One must always strive for 100 per cent recovery of any credit programme. This gives the moral strength of any programme.

5.3 One should start with the poorest, preferably the poorest women.

5.4 Any agency wants to learn from GB may be advised to start a fresh with fresh university graduates. They should then be exposed to the poverty and problem of rural life.

5.5 Better start in a very low key and small way. One can speed up as success begets success.

5.6 The principle of decentralization and participative decision making should be earnestly adhered to. You give the grass root level personnel for the credit and pass on the blame to their superiors.

6. Conclusion

We have seen how GB has succeeded in ensuring a very high level of recovery performance when others are faltering. The design of the programme, excellent implementation machine developed on the principle of mobile decentralized and participative management style are mainly responsible for its success. One may always try to transplant these management techniques in running any rural development especially rural credit programme.

Appendix 1

GRAMEEN BANK: CONSOLIDATED CUMULATIVE STATEMENT AS ON OCTOBER 31, 1986^(a)

(In Lakh Taka)

P a r t i c u l a r s	Chittagony	Tangail	Rangpur	Dhaka	Patuakhali	Total
1. Amount Disbursed ^(b)						
Landless (Male)	873.90	1975.30	1321.02	1110.42	412.26	5690.90
Landless (Female)	1520.75	1600.26	1267.34	1902.10	1858.57	7948.42
Total Disbursement	2394.65	3581.56	2588.36	3012.52	2063.23	13640.32
(c)	(98.54)	(88.49)	(103.41)	(115.20)	(81.94)	(487.58)
2. Amount Repaid						
Landless (Male)	709.20	1748.29	1605.47	908.23	337.12	4708.31
Landless (Female)	1112.42	1320.04	934.87	1440.29	1186.78	6002.96
Total repaid	1821.62	3077.13	2020.14	2348.52	1523.88	10791.29
	(79.62)	(60.91)	(69.66)	(95.50)	(80.56)	(386.25)
3. Amount remaining unrepaid after one year (in percentage)	2.02	4.90	2.03	4.49	0.28	2.90
4. Amount overdue (i.e. remaining unrepaid after two years)	0.39	6.00	0.05	0.48	0.00	1.26
5. Saving in Group Fund ^(d)						
Landless (Male)	65.69	161.23	103.19	84.58	25.75	441.45
Landless (Female)	111.50	134.54	101.09	138.53	119.43	605.09
Total Saving in Group Fund	177.19	295.77	202.08	223.12	149.18	1047.34
6. Savings in Emergency Fund ^(e)						
Landless (Male)	14.90	51.35	17.40	15.30	5.24	104.27
Landless (Female)	17.07	29.97	12.66	21.51	18.00	97.21
Total Savings in Emergency Fund	31.97	81.32	30.14	36.81	21.24	201.48
7. Loan From Group Fund						
Landless (Male)	29.57	70.65	35.11	40.43	8.03	207.79
Landless (Female)	32.82	35.99	31.77	46.42	13.59	162.59
Total Loan From Group Fund	62.39	106.64	98.88	88.85	21.62	370.38
8. Number of members						
Landless (Male)	10,264	16,440	15,706	12,185	4,770	69,445
Landless (Female)	27,911	26,197	30,867	35,484	33,917	1,91,596
Total Number of Member	38,175	42,637	54,873	47,669	38,687	2,22,041
9. Number of Centre						
Landless (Male)	395	688	581	518	108	2,342
Landless (Female)	1,304	1,289	1,059	1,633	1,361	7,296
Total Number of Centre	1,699	1,959	2,200	2,151	1,549	9,638
10. Number of village Covered	654	1,122	1,181	1,220	682	4,839
11. Number of Branches in Operation	48	54	63	66	41	272

(a) Grameen Bank started out as "Grameen Bank Project" in the village Jobra of Chittagony in Aug. 1976 and in Tangail in November, 1979. Grameen Bank operational as an independent bank on October, 1983.

(b) This figure does not include Tk. 254.05 lakh disbursed so far as housing loan.

(c) Figures in parentheses indicate amount for the current month.

(d) A group member can borrow from the Group Fund with the consent of remaining group members. Loan from this fund can be used for both consumption and investment purposes.

(e) It is a sort of insurance fund. This fund when operational, will cover the members from accident, death and disaster.

Notes and References

1. See Timothy Appell, "Model development bank in Bangladesh imitators" in The Christian Science Monitor, November 3, 1986. Number of borrowers, however, are at present (as 31 October 1986) 222,041 See Appendix 1 for details.
2. See Mahabub Hossain, Credit for the rural poor: The Grameen Bank in Bangladesh, Research Monograph No. 4, BIDS, Dhaka, 1984;
 , Credit for alleviation of rural poverty: the experience of Grameen Bank in Bangladesh' Working Paper No. 4, Grameen Bank Evaluation Project, BIDS, 1986 and
Atiur Rahman, Demand and Marketing Aspects of Grameen Bank: A Closer Look, University Press Ltd., 1986.
3. These figures have been quoted from Hossain, M, 1986, op cit, p. 65.
4. As given by ACD, Bangladesh Bank. We do not have reliable estimates of recovery rates for most of our rural credit programmes. It is widely guessed that the national average may be around 26%. It has been said recently by an author (M Nurul Ameen, 'Crisis of Agricultural Credit: A Survey' in Daily Sangbad, Arthanitir Pata, 8 December, 1986) that a sum of Tk. 5646 million was disbursed as rural credit during the last fiscal year. The repayment rates vary between 34.55% to 46.72%.

<u>Name of the agency</u>	<u>Repayment Rate (in %)</u>
Bangladesh Krishi Bank	32.35
Sonali Bank	18.50
Janata Bank	23.63
Agrani Bank	23.96
Rupali Bank	13.05
Pubali Bank	13.85
Uttara Bank	9.55
Bangladesh Jatyo Shamobaya Bank (Cooperative Bank)	15.49
BRDB	46.72

5. CIDA, RPP Mid-Term Review, April, 1986 Dhaka, p. 141.
6. See Hossain, op cit, 1986, p. 59-64 for details of the BIDS estimates.
7. Hossain, M., 1984, 'Credit for the rural poor: The Grameen Bank Experience in Bangladesh', BIDS, 1984, p. 69.
8. Yunus, M., 1986, 'Grameen Bank: As I see it', ILO, November, 1986, p. 3.

9. Yunus, M., 1984: 'On reaching the poor', a paper presented at the Project Implementation Workshop organized by IFAD, held in Dhaka, April, 1984 (also available as Grameen Bank Working Paper No. 24, March, 1984).
10. See Peters TJ and Waterman, RH, 1980: Insearch of Excellence: Lessons from America's Best-run Companies, Harper & Row, Publishers, New York, p. 14. Besides 'close to customers', the authors have identified seven more criteria: 'a bias for action', 'autonomy and entrepreneurship', 'productivity through people', 'hands-on value driven', 'stick to the knitting', 'simple form', 'lean staff' and 'simultaneous loose-tight properties'. GB seems to have been applying some of these criteria for becoming 'excellent organization', may be unknowling (for further reflections on this issue see Atiur Rahman, 'Participative Management -- The Grameen Bank Experience', Working Paper No. 6, GBEP, BIDS, 1986 (forthcoming).
11. Yunus, M., Grameen Bank: As I see it, op cit, p. 3-4.
12. Yunus, ibid, p. 4.
13. Yunus, ibid, p. 6.
14. See Atiur Rahman, Impact of Grameen Bank intervention on the rural power structure, Working Paper No. 2, GBEP, BIDS, 1986.
15. Adams, DW and Vogel, RC, 'Rural Financial Markets in Low-income Countries: Recent Controversies and Lessons', in World Development, Vol. 1, Number 4, p. 483.
16. See Atiur Rahman, Demand and Marketing Aspects of Grameen Bank: A Closer Look, University Press Ltd., 1986, also his 'Impact of Grameen Bank on the Income and expenditure Pattern of the Rural Poor, Working Paper No. 5, GBEP, BIDS, 1986.
17. See Atiur Rahman, 'Consciousness Raising Efforts of Grameen Bank' Working Paper No. 3, GBEP, BIDS, 1986. See also his 'GB Intervention on Rural Power Structure', op cit, for the kind of impact GB has on the rural power elites, who usually make tasks difficult for many development agencies.
18. See Yunus, Grameen Bank: As I see it, op cit, p. 15.
19. See Anthony, WP, 1978: Participative Management, Addison-Wesely Publishing Company, London-Sydney, p. 3-4.
20. Yunus, M., 1986, op cit, p. 8.
21. Hossain, M., op cit, p. 62.



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